



May 24, 2018

Via DelaFile Submission

Ms. Donna Nickerson
Secretary
Public Service Commission of Delaware
861 Silver Lake Boulevard
Cannon Building, Suite 100
Dover, DE 19904

Re: **In The Matter of the Application of Tidewater Utilities, Inc. for the Approval of the Semi-Annual Adjustment to the Distribution System Improvement Charge (DSIC) Pursuant to 26 Del. C. § 314 (b) (5)**

Dear Ms. Nickerson:

Tidewater Utilities, Inc. has submitted an application for an adjustment to the Distribution System Improvement Charge pursuant to 26 Del.C. § 314 (b) (5) through the Delafile electronic system. A payment of \$100 to satisfy the required filing fee was also submitted through the DelaFile system.

If you have any questions regarding the changes to this application, please contact me at (732) 638-7502.

Sincerely,

Treasurer

Enclosures

cc: Andrew Slater, Delaware Public Advocate (Electronic Delivery)
Connie McDowell (Electronic Delivery)

NOTE: House Bill 681, enacted into law 7/13/98, authorizes the Commission to recover the cost of time spent by in-house staff to process all filings initiated after the date of enactment. You may be required to reimburse the Commission for staff time.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF	:	
TIDEWATER UTILITIES, INC. FOR THE	:	
APPROVAL OF THE SEMI-ANNUAL	:	Docket No. 18-_____
ADJUSTMENT TO THE DISTRIBUTION	:	
SYSTEM IMPROVEMENT CHARGE ("DSIC")	:	
EFFECTIVE JULY 1, 2018 PURSUANT TO	:	
DEL. C. § 314 (b) (5)	:	

Tidewater Utilities, Inc. ("Tidewater") a public water utility, regulated by the Delaware Public Service Commission ("Commission"), hereby petitions the Commission pursuant to 26 Del. C. § 314 (b) (5), for permission to reset its Distribution System Improvement Charge ("DSIC") effective July 1, 2018, which is no less than thirty (30) days from the date of this Application.

1. On November 20, 2017, Tidewater filed an application and on December 12, 2017, filed a revised application and accompanying schedules for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective January 1, 2018. Tidewaters application to reset the DSIC rate to 2.99% received Commission approval on December 21, 2017 by Order No. 9162, PSC Docket No. 17-1148.

2. On May 19, 2017, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of additional costs in accordance with 26 Del. C. § 314 effective July 1, 2017. Tidewaters application to reset the DSIC rate to 2.43% received Commission approval on June 20, 2017 by Order No. 9073, PSC Docket No. 17-0330.

3. On November 16, 2016, Tidewater filed an application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2017. Tidewater's application to reset the DSIC rate to 2.44% received Commission approval on December 20, 2016, by Order No. 9004, PSC Docket No. 16-1067.
4. On May 20, 2016, Tidewater filed an application and on June 17, 2016, filed a revised application for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2016. Tidewater's application to reset the DSIC rate to 1.90% received Commission approval on June 28, 2016, by Order No. 8904, PSC Docket No. 16-0656.
5. On November 19, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2016. Tidewater's application to reset the DSIC rate to 1.06% received Commission approval on December 15, 2015, by Order No. 8833, PSC Docket No. 15-1576.
6. On May 21, 2015, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective July 1, 2015. Tidewater's application to reset the DSIC rate to 0.37% received Commission approval on June 2, 2015, by Order No. 8747, PSC Docket No. 15-1000.
7. On November 14, 2014, Tidewater filed for permission to reset its DSIC rate for the automatic adjustment of its basic rates and charges and providing for recovery of associated costs in accordance with 26 Del. C. § 314 effective January 1, 2014. Tidewater's application to reset the DSIC rate to 0.31% received Commission approval on December 16, 2014, by Order No. 8691, PSC Docket No. 15-0525.

8. Pursuant to 26 Del. C. § 314 (b) (5) Tidewater hereby requests Commission permission to reset its DSIC rate. The aforementioned section states that the DSIC rate shall be adjusted semi-annually for eligible distribution system improvements placed in service during the six month period ending two months prior to the effective date of changes in the DSIC rate. In this filing, Tidewater has included improvements placed in service for the six month period November 1, 2017 through April 30, 2018.
9. Attached are Schedules No. 1, 1A, 1B, 1C, 1D, 1E and No. 2, which supports the development of the DSIC rate. Schedules 1C, 1D and 1E represent adjustments to the revenue requirement in the semi-annual DSIC rate. These adjustments are the result of the following:
 - Schedule 1C – Revision of the Pre-Tax Cost of Capital Calculation Used for Setting the DSIC Rate in PSC Docket Nos. 16-1067, PSC Docket No. 17-0330 and for performing the Annual revenue true-up for the 2017 DSIC Rates.
 - Schedule 1D - Revision of the Pre-Tax Cost of Capital Calculation Used for Setting the DSIC Rate in PSC Docket Nos. 17-1148
 - Schedule 1E – Adjustment resulting from the 2017 Tax Cut and Jobs Act reduction in the maximum Federal corporate income tax rate.
10. Also attached hereto as Schedule No. 3 is a draft Tariff Schedule of Rates, which reflects the proposed reset to the DSIC rate as July 1, 2018, arising in this Petition.
11. The proposed Tidewater customer rate adjustment, reflected by this application, is 1.14% and is expected to result in additional revenues of approximately \$194,577. The requested rate reset is less than a 5% increase in current rates of Tidewater customers and, as such, satisfies the requirements of 26 Del. C. § 314 (b) (7). Customers will be notified of this change with a statement that shall be printed on the first bill following the effective date of this change. The statement will indicate that the DSIC rate is 1.14% effective July 1, 2018.
12. Tidewater is prepared to provide the Commission with all reasonable information requested by the Commission with respect to this filing.

13. The utility contact person responsible for this Application is the signatory shown below.
14. The Division of Public Advocate has been served with a copy of this filing.

WHEREFORE, in light of the foregoing, Tidewater respectfully requests that the Commission enter an Order, pursuant to 26 Del. C. § 314 (b) (5), approving a semi-annual rate adjustment to the Distribution System Improvement Charge.

Respectfully Submitted,
TIDEWATER UTILITIES, INC.

A handwritten signature in black ink, appearing to read "A. Bruce O'Connor". The signature is fluid and cursive, with the first name "A." and last name "O'Connor" clearly distinguishable.

A. Bruce O'Connor
Treasurer
1500 Ronson Road
Iselin, NJ 08830-3020
Telephone: 732-638-7502
Facsimile: 732-218-1126
E-mail: aboconnor@middlesexwater.com

Date: May 24, 2018

Schedule 1: Development Of Rate And Supporting Data

[illegible]

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1A: Pre-Tax Cost of Capital Based on Capital Structure Approved in Most Recent General/Base Rate Case

ORIGINAL METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-				(A)	
	%	Cost	Weighted Cost	Revenue Multiplier	Pre-Tax Cost
Cost of Debt	49.04%	6.01%	2.93%	1.664525	4.91%
Common Equity	50.96%	9.75%	4.97%	1.664525	8.27%
	<u>100.00%</u>		<u>7.92%</u>		<u>13.18%</u>

(A) Used for rate setting in Order No. 7611, PSC Docket. 13-466

REVISED METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 13-				(B)	
	%	Cost	Cost	Revenue Multiplier	Pre-Tax Cost
Cost of Debt	49.04%	6.01%	2.93%	1.003009 (1)	2.96%
				(Line 1 / Line 2)	
Common Equity	50.96%	9.75%	4.97%	1.390616 (2)	6.91%
				(Line 1 / Line 7)	
	<u>100.00%</u>		<u>7.92%</u>		<u>9.87%</u>

(B) The Revenue Multipliers for determining the pre-tax cost of capital for debt and equity have been revised.

(1) The Revenue Multiplier for determining the pre-tax cost of capital for debt has been revised to exclude the gross up for income tax.
(2) The Revenue Multiplier for determining the pre-tax cost of capital for equity has been revised for the lower corporate income tax rate authorized under the 2017 Tax Cuts and Jobs Act.

TIDEWATER UTILITIES, INC.
CALCULATION OF GROSS-UP FACTOR

Line No.	Description	(A) Order No. 8611, PSC Docket No. 13-466	(B)(2) Revised 2017 Tax Act
1	Operating Revenues	1.000000	1.000000
2	PSC Assessment @ .003 Operating Revenue	0.003000	0.003000
3	Income Before State Income Tax	0.997000	0.997000
4	State Income Tax @ 8.7%	0.086719	0.086719
5	Income Before Federal Income Tax	0.910261	0.910261
6	Federal Income Tax @ 14.0% Federal Income Tax @ 21.0%	0.309489	0.191155
7	Income After Federal Income Tax	0.600772	0.719106
8	Gross Revenue Conversion Factor (1 / Line 7)	1.664525	1.390616

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1B: Over/Under Adjustment

<u>Docket No.</u>	<u>Underearnings (1)</u>
Q2-2017	(163,000)
Q3-2017	155,000
Total	<u><u>(8,000)</u></u> (8D)

(1) - Overearnings adjustment to Revenue Requirement
originally filed in PSC Docket No. 17-1148

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1C: Over/Under Adjustment

Tidewater Utilities, Inc.
DSIC Reconciliation
For the 12 Months Ended December 31, 2017

Month		Capital Costs and Depreciation Expense	DSIC Revenue Collected	Revenue Over (Under) Collected
January	[a]	\$47,435	\$48,566	\$1,131
February	[a]	47,435	56,414	8,979
March	[a]	47,435	50,245	2,810
April	[a]	47,435	47,492	57
May	[a]	47,435	59,177	11,742
June	[a]	47,435	60,275	12,840
July	[b]	53,142	57,402	4,260
August	[b]	53,142	73,915	20,773
September	[b]	53,142	77,488	24,346
October	[b]	53,142	56,797	3,655
November	[b]	53,142	66,779	13,637
December	[b]	53,142	56,872	3,730
Totals		\$603,463	\$711,422	\$107,959 (8E)

[a] Monthly amounts represent Semi-annual DSIC Requirement of \$284,610 per PSC Docket No. 16-1067 effective January 1, 2017. See Schedule 1C-a. for detailed calculation

[b] Monthly amounts represent Semi-annual DSIC Requirement of \$318,853 per PSC Docket No. 17-0330 effective July 1, 2017. See Schedule 1C-b. for detailed calculation.

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1C-a.: Revised Pre-Tax Cost of Capital Calculation (Docket No. 16-1067)

Investment Net of Accumulated Depreciation and Retirements:

Eligible Net Investment	\$4,378,602	Net Rate Base Change Per DSIC 16-1067
Semi-Annual	\$2,189,301	50% of Net Rate Base Change Per DSIC 16-1067

Depreciation Expense:	\$38,533	Per DSIC 16-1067
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Capital Structure & Costs:

	%	Cost	Weighted Cost	Revenue Multiplier	Pre-Tax Cost
Debt	49.04%	6.01%	2.95%	1.003009	2.96%
Equity	50.96%	9.75%	4.97%	1.664525	8.27%
Total	100.00%		7.92%		11.23%

Semi-Annual Pre-Tax Rate of Return	5.62%
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Revenue Requirement:

Return: \$4,378,602 x 5.62%	\$246,077
Depreciation	\$38,533
Total Revised Revenue Requirement (PSC Docket No. 16-1067)	\$284,610 (a)

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1C-b.: Revised Pre-Tax Cost of Capital Calculation (Docket No. 17-0330)

Investment Net of Accumulated Depreciation and Retirements:

Eligible Net Investment	\$5,087,671	Net Rate Base Change Per DSIC 17-0330
Semi-Annual	\$2,543,836	50% of Net Rate Base Change Per DSIC 17-0330

Depreciation Expense:	\$40,972	Per DSIC 17-0330
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Capital Structure & Costs:

	%	Cost	Weighted Cos	Revenue Multiplier	Pre-Tax Cost
Debt	49.04%	6.01%	2.95%	1.003009	2.96%
Equity	50.96%	9.75%	4.97%	1.664525	8.27%
Total	<u>100.00%</u>		<u>7.92%</u>		<u>11.23%</u>

Semi-Annual Pre-Tax Rate of Return	5.62%
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Revenue Requirement:

Return: \$5,087,671 x 5.62%	\$285,927
Depreciation	\$40,972
Sub-Total Revised Revenue Requirement (PSC Docket No. 17-0330)	\$326,899
Add: (Over)/Under Collected DSIC Revenue (PSC Order No. 9084)	(8,046)
Total Revised Revenue Requirement (PSC Docket No. 17-0330)	<u>\$318,853 (b)</u>

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1D: Revised Pre-Tax Cost of Capital Calculation (Docket No. 17-1148)

Investment Net of Accumulated Depreciation and Retirements:

Eligible Net Investment	\$5,554,602	Net Rate Base Change Per DSIC 17-1148
Semi-Annual	\$2,777,301	50% of Net Rate Base Change Per DSIC 17-1148

Depreciation Expense: \$46,266 Per DSIC 17-1148

Capital Structure & Costs:

	<u>%</u>	<u>Cost</u>	<u>Weighted Cost</u>	<u>Revenue Multiplier</u>	<u>Pre-Tax Cost</u>
Debt	49.04%	6.01%	2.95%	1.003009	2.96%
Equity	50.96%	9.75%	4.97%	1.664525	8.27%
Total	<u>100.00%</u>		<u>7.92%</u>		<u>11.23%</u>

Semi-Annual Pre-Tax Rate of Return	5.62%
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Revenue Requirement:

Return: \$5,554,602 x 5.62%	\$312,169
Depreciation	\$46,266
Sub-Total Revised Revenue Requirement (PSC Docket No. 17-1148)	\$358,435
Less: Revenue Requirement "As Filed" (PSC Docket No. 17-1148)	(412,316)
Revised Revenue Requirement Adjustment (PSC Docket No. 17-1148)	<u>(\$53,881)</u> Schedule 1, Line (8F)

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1E: Restatement of Previously Filed DSICs to Reflect Change in Tax Rate (34% to 21%)

	PSC Docket No. 14-0525 07/01/14 to 10/31/14	PSC Docket No. 15-1000 11/01/14 to 04/30/15	PSC Docket No. 15-1576 05/01/15 to 10/31/15	PSC Docket No. 16-0656 11/01/15 to 04/30/16	PSC Docket No. 16-1067 05/01/16 to 10/31/16	PSC Docket No. 17-0330 11/01/16 to 04/30/17	PSC Docket No. 17-1148 05/01/17 to 10/31/17	Total
1 Net Utility Plant Additions (As Filed)	\$ 321,189	\$ 353,454	\$ 1,284,391	\$ 1,514,086	\$ 538,099	\$ 551,704	\$ 405,009	\$ 4,967,931
2 Net Accumulated Depreciation Reserve Change (As Filed)	43,432	53,481	(9,521)	146,547	133,445	157,365	61,923	586,672
3 Net Change in Rate Base (Sum of Lines 1 and 2)	\$ 364,621	\$ 406,935	\$ 1,274,870	\$ 1,660,633	\$ 671,543	\$ 709,069	\$ 466,932	\$ 5,554,602
4 "Revised" Pre-Tax Rate of Return (Schedule 1E-a)	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%	11.01%
5 Semi-Annual Pre-Tax Rate of Return (Line 4 divided by 2)	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%	5.51%
6 Semi-Annual Investment Cost Recovery (Line 3 multiplied by Line 5)	\$ 20,091	\$ 22,422	\$ 70,245	\$ 91,501	\$ 37,002	\$ 39,070	\$ 25,728	306,059
7 Semi-Annual Depreciation Expense (As Filed)	\$ 2,368	\$ 2,577	\$ 9,521	\$ 18,049	\$ 6,018	\$ 2,439	\$ 5,294	46,266
8 "Revised" Semi-Annual DSIC Revenue Requirement (Sum of Lines 6 and 7)	\$ 22,459	\$ 24,999	\$ 79,766	\$ 109,550	\$ 43,020	\$ 41,509	\$ 31,022	\$ 352,325
9 "As Filed" Semi-Annual DSIC Revenue Requirement	\$ 26,397	\$ 29,394	\$ 93,535	\$ 127,485	\$ 50,273	\$ 49,167	\$ 36,065	412,316
10 Impact of 2017 Tax Act (Tax Rate Change from 34% to 21%)	\$ (3,938)	\$ (4,395)	\$ (13,769)	\$ (17,935)	\$ (7,253)	\$ (7,658)	\$ (5,043)	\$ (39,991) (10)

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 1E-a: Pre-Tax Cost of Capital Based on Capital Structure Approved In Most Recent General/Base Rate Case

ORIGINAL METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 1				
	%	Cost	Weighted Cost	(A) Revenue Multiplier
Cost of Debt	49.04%	6.01%	2.95%	1.664525
Common Equity	50.96%	9.75%	4.97%	1.664525
	<u>100.00%</u>		<u>7.92%</u>	

(A) Used for rate setting in Order No. 7611, PSC Docket. 13-466

REVISED METHOD FOR CALCULATION OF THE PRE-TAX COST OF CAPITAL IN SETTING A DSIC RATE

Capital Structure Approved in Order No. 8611, PSC Docket No. 1				
	%	Cost	Weighted Cost	(B) Revenue Multiplier
Cost of Debt	49.04%	6.01%	2.95%	(1.390616 (1))
				(Line 1 / Line 3)
Common Equity	50.96%	9.75%	4.97%	(1.390616 (1))
				(Line 1 / Line 7)
	<u>100.00%</u>		<u>7.92%</u>	<u>11.01%</u>

(B) The Revenue Multipliers for determining the pre-tax cost of capital for debt and equity have been revised.

(1) The Revenue Multiplier for determining the pre-tax cost of capital for equity has been revised for the lower corporate income tax rate authorized under the 2017 Tax Cuts and Jobs Act.

TIDEWATER UTILITIES, INC.
CALCULATION OF GROSS-UP FACTOR

Line No.	Description	(A) Order No. 8611, PSC Docket No. 13-466	(B)(1) Revised 2017 Tax Act
1	Operating Revenues	1.000000	1.000000
2	PSC Assessment @ .003 Operating Revenue	0.003000	0.003000
3	Income Before State Income Tax	0.997000	0.997000
4	State Income Tax @ 8.7%	0.086739	0.086739
5	Income Before Federal Income Tax	0.910261	0.910261
6	Federal Income Tax @ 34.0% Federal Income Tax @ 21.0%	0.309489	0.191155
7	Income After Federal Income Tax	0.600772	0.719106
8	Gross Revenue Conversion Factor (1 / Line 7)	<u>1.664525</u>	<u>1.390616</u>

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 2: Projects Placed Into Service And/Or Retired

Utility Plant In Service from November 1, 2017 to April 30, 2018

<u>Project Name</u>	<u>Description of Project</u>	<u>TUI</u> <u>Account #</u>	<u>Amount</u> <u>Applied for</u> <u>DSIC</u>	<u>Retirement Costs</u>
1. Rehoboth - Sweetbriar Interconnection	Installation of new water main to interconnect Sweetbriar and install hydrants for fire protection.	217-304	\$ 2,693	
2. Meter Replacement	Replacement of meters which have reached their useful life.	BLKT.916	\$ 55,191	
Total			<u>\$ 57,884</u>	<u>\$ -</u>
Net Total			<u><u>\$ 57,884</u></u>	

Tidewater Utilities, Inc.
May 2018 DSIC Application to the PSC

Schedule 2A: Net Accumulated Depreciation

Utility Plant In Service from November 1, 2017 to April 30, 2018
Net Additions to Plant and Depreciation Expense

	NARUC		Depreciation	Depreciation
	A/C #	Amount	Rate	Amount
Wells & Springs	314	\$ -	2.37%	\$ -
Pumping Structures & Improvements	321	-	3.12%	-
Electric Pumping Equipment	325	-	3.17%	-
Water Treatment Equipment	332	-	2.89%	-
Storage Facilities	342	-	1.61%	-
Mains	343	2,373	1.43%	34
Services	345	-	2.12%	-
Meters	346	55,191	4.63%	2,555
Meter Installations	347	-	3.49%	-
Hydrants	348	320	2.12%	7
Total		<u>57,884 (1)</u>		<u>\$ 2,596</u>
Semi-Annual Depreciation Expense				<u>\$ 1,298</u>

(1) - Net of associated retirements. See Schedule 2.

Accumulated Depreciation Reserve Change

Semi-Annual Depreciation Expense (above)	\$ (1,298)
Retirements (See Schedule 2)	-
Total	<u>\$ (1,298)</u>

TIDEWATER UTILITIES, INC.
P.S.C. DEL. NO. 6
~~TWENTY-EIGHTH~~SEVENTH REVISED PAGE NO. 25
CANCELING
TWENTY-~~SEVENTH~~~~SIXTH~~ REVISED PAGE NO. 25
~~MAY~~NOVEMBER 24~~0~~, 2018~~7~~
EFFECTIVE DATE: ~~JULY~~ANUARY 1, 2018

7. DISTRIBUTION SYSTEM IMPROVEMENT CHARGE:

In addition to the net charges provided for in items 1. and 2. of this Tariff Schedule of Rates, a charge of 1.142.99% will apply to all charges for bills rendered on or after ~~July~~January 1, 2018.

The above charge will be recomputed semi-annually, using the elements prescribed by Section 314 of Title 26 of the Delaware Code.

8. BULK WATER CONTRACT SALES

- a) Ocean View – Under contract, the Town of Ocean View is charged \$4.8024 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Town of Ocean View water distribution system.
- b) Dover Air Force Base – Off Base Housing – Under contract, Dover Air Force Base Housing – Eagle Meadows/Heights is charged \$12.2609 per thousand gallons of consumption registered through the meter(s) at the interconnection with the Eagles Heights and Eagle Meadows Housing subdivision water distribution systems.
- c) Southern Shores – Under contract, Southern Shores Water Company is charged \$5.6116 per thousand gallons of consumption registered through the meter(s) at the interconnection with Southern Shores water distribution systems.